



Irish Life MAPS[®]

QUARTER 2 (Q2) 2017: APRIL TO JUNE

Welcome to the MAPS quarterly update for quarter 2 2017. In this edition...

- We look back and comment on some of the key issues impacting economies, markets and investor sentiment over the quarter, including the market-friendly result of the French Presidential election, the surprise calling (and result) of the U.K. general election, the controversy regarding the firing of FBI Director James Comey and another rise in U.S. interest rates.
- We outline and review the key drivers of performance within MAPS.
- We review the asset classes in MAPS detailing how the extensive diversification helps deliver smoother returns.
- We provide an update on some of the key strategies used to manage risk in MAPS including Global Low Volatility Shares, Dynamic Share to Cash Model (DSC), Currency Hedging and Quarterly Rebalancing.
- We review the external manager allocation and the alternative investment strategies used in MAPS.

IRISH LIFE MAPS[®] FUND PERFORMANCE

Over the quarter, global stock markets continued their positive momentum (in local currency terms but negative in Euro terms because of Euro strength) from quarter 1, supported by the solid economic and corporate earnings backdrop across most regions as well as the relief at the election of Emmanuel Macron as French President. Eurozone government bonds also rose in value over the quarter, positively influenced by the easing of political concerns after the French Presidential election result and the expected delay in the Italian general election until early 2018.

The table below shows the total returns to end of quarter 2 2017 on each of the five Irish Life MAPS funds since launch (17 May 2013) and over the last 1, 2, 3 and 4 years. Irish Life MAPS is a long-term investment and we would always urge caution when looking at fund performances over time periods of less than five years.

FUND	MAP2	MAP3	MAP4	MAP5	MAP6
SINCE LAUNCH p.a.	4.0%	5.7%	7.9%	9.6%	8.8%
4 YEARS p.a.	4.7%	6.8%	9.6%	11.5%	11.4%
3 YEARS p.a.	4.5%	6.7%	9.3%	11.1%	11.1%
2 YEARS p.a.	3.8%	5.0%	5.8%	6.7%	6.5%
1 YEAR	4.9%	8.1%	11.3%	14.7%	18.0%

Source: 'MoneyMate'. Gross returns shown to 30 June 2017, before any fund management charge.

Warning: The value of your investment may go down as well as up.

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ECONOMIC LOOK-BACK Q2 2017

CURRENCY CONUNDRUM

Most investment returns for Irish investors are quoted in Euro's as we are a Euro based economy. When we talk about 'local currency' however, we mean the stock market performance in the currency of a particular country. For example, the FTSE 100 in the UK might be +4% in Sterling or 'local currency' terms but only +2% in Euro due to fluctuations in currency markets. Global stock markets in quarter 2 (in local currency terms) were broadly positive but Euro-based investors (without currency protection) saw their returns impacted because of Euro currency strength versus other major currencies. Changes in economic circumstance or political policy can significantly impact the relative strength or weakness of a currency and there were plenty of examples of both during the quarter. For example, global stock and currency markets reacted favourably to the election of Emmanuel Macron as French President. Conversely, continued political controversies in the U.S. have unsettled markets and the U.S. dollar on occasions. Similarly, the surprise outcome of the Brexit vote and the recent UK general election have not only possibly weakened the UK's negotiating position with the EU but also their currency relative to the Euro and other major currencies. At times like these, protecting investments against currency moves can make great sense and a big difference.



'HAWKS' OVERHEAD

Policy makers who generally favour relatively high interest rates are known as 'Hawks' ('Doves' are the opposite) and appear to be wielding more influence across the world's central banks. The U.S. Federal Reserve raised interest rates for a second time this year in June by 0.25% and indicated a total of three rate increases over 2017 and 2018. They also outlined plans to reduce the size of its balance sheet over the next four quarters – in other words spending to support the economy. Even ECB President Draghi hinted in late June at less policy 'accommodation' in the future. On the plus side it means there is both the evidence and confidence of a recovering global economy signalling the end of the need for historically low interest rates to support growth. In time it will also mean savers getting more for their money on deposit versus the near zero rates of return currently available. On the other side it means that borrowing costs are going to rise. Following the financial boom, some countries are still running with high levels of national and/or personal debt, including Ireland. That is a potentially dangerous combination threatening the recovery underway. Rising interest rates are likely to be a reality in the next 18 months, which is broadly a positive development but getting the timing and rate at which they rise correct is a difficult balancing act.

TRUMP TRAUMA

The continued lack of clarity over the Trump administration's policy agenda has been compounded by more political controversies in recent months around the firing of the head of the FBI, James Comey, the stuttering Republican healthcare bill and the rising noise about the relationship with Russia. We maintain a watching brief as a unique period in history unfolds.

SHARES, BONDS, COMMODITIES AND CURRENCIES

The MSCI AC World equity index rose +3.3% over quarter 2 in local currency terms but fell -2.1% in Euro (€). The U.S. was +3.1% (-3.3% in €), Eurozone was -0.1%, Emerging Markets +6.7% (-0.2% in €), Japan was +6.1% (-1.3% in €), the UK +0.8% (-1.8% in €), Pacific region was +1.2% (-4.7% in €).

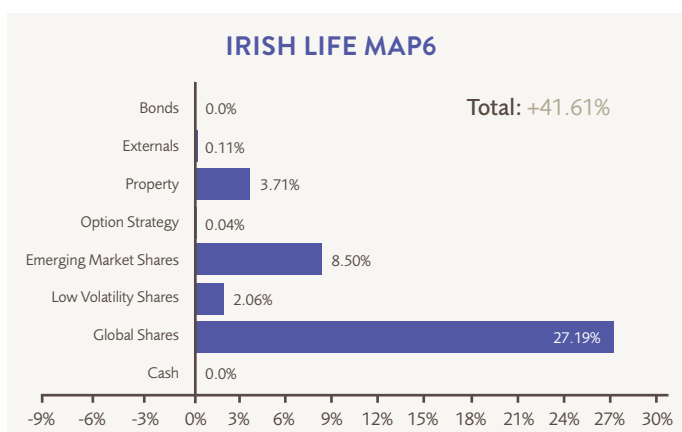
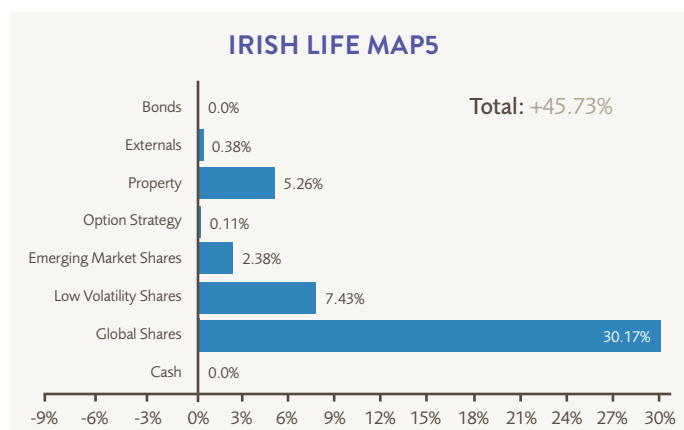
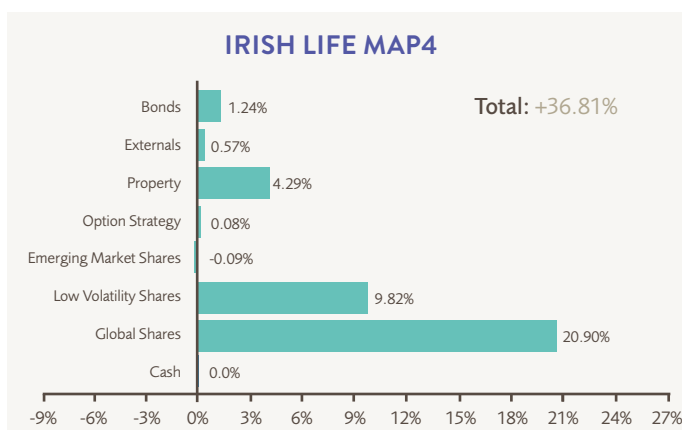
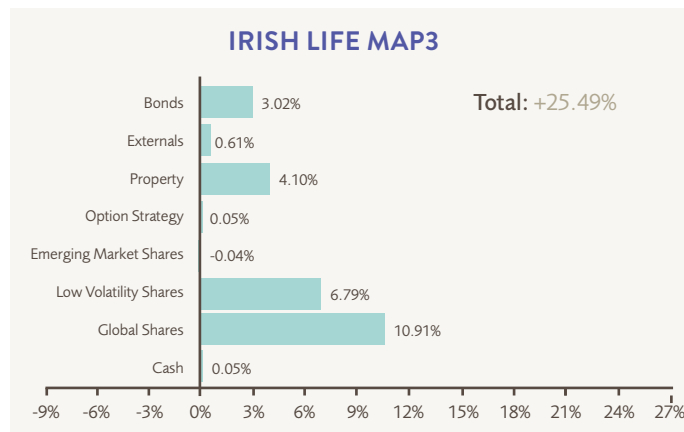
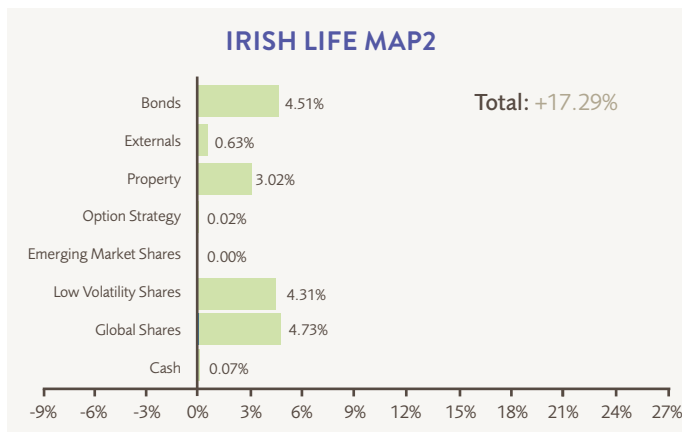
In bond markets, the Eurozone >5 year sovereign bond benchmark rose 0.8% over the quarter despite German 10 year bond yields strengthening to +0.47%. The Euro was strong, rising from 1.065 to 1.1426 against the U.S. dollar as European political concerns eased, speculation over tighter ECB monetary policy and political controversies in the U.S. (which contributed to a weaker dollar). Commodities fell -5.4% (-11.4% in €) with oil falling -9.3% as inventory levels rose on the back of the continued rise in U.S. shale oil production and higher levels of oil production in Libya and Nigeria.

Source: David Haslam, Head of Retail, Irish Life Investment Managers (ILIM), 30 June 2017.

PERFORMANCE BREAKDOWN

The graphs below split out the performance for each Irish Life MAPS fund since Launch (17 May 2013) to 30 June 2017 into each of the component asset classes. For more on these asset classes see pages 8-11.

Taking Irish Life MAP 3 as an example, it is up 25.49% over this period. This 25.49% can be broken down as shown below with 10.91% coming from Global Shares, 6.79% from Low Volatility Shares, 3.02% from Bonds, 4.10% from Property, 0.05% from Cash, 0.61% from External Managers, -0.04% from Emerging Market Shares and 0.05% from the Option Strategy recently introduced.



Source: ILIM 30 June 2017

The data above is based on Moneymate fund performance and the breakdown of the individual asset class returns is approximate. Performance is gross of taxes and charges. The data above allows for the effect of the annual reviews of the funds over that period - some examples: the move from Minimum Volatility Shares to Low Volatility Shares, the changes in External Managers, the move from Developed Market Shares to Global Shares and the very slight effect of the changes just made in the last month, etc. It also allows for the impact of tactical allocations over the period.

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IRISH LIFE MAPS® ASSET SPLIT

There are five Irish Life MAPS funds to suit different attitudes to risk. The table below shows the strategic asset mix for each of the funds. As you can see the lower risk fund Multi Asset Portfolio 2 (MAP2) has a very high percentage in bonds and cash, which are traditionally less volatile assets. The higher risk fund MAP6 is predominantly invested in shares, which are traditionally more volatile than bonds or cash but have, in the past, given better long-term returns.

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FUND NAME	MAP2	MAP3	MAP4	MAP5	MAP6
Bonds	42.0%	25.5%	10.5%	0.0%	0.0%
External Managers/Alternatives	22.0%	22.0%	22.0%	12.5%	5.0%
Property	6.0%	7.5%	7.5%	7.5%	5.0%
Emerging Market Shares	0.0%	0.0%	0.0%	10.0%	32.0%
Low Volatility Shares	6.0%	12.0%	18.0%	13.0%	8.0%
Global Shares*	11.0%	22.0%	33.0%	45.0%	45.0%
Option Strategy	3.0%	6.0%	9.0%	12.0%	5.0%
Cash	10.0%	5.0%	0.0%	0.0%	0.0%

* Global Shares use the DSC model - See pages 7 and 8 for more details.

The table shows the strategic asset mix and ILIM rebalance back to this mix on a quarterly basis. The information is correct as at 30 June 2017. For the latest Irish Life MAPS fund mixes, see the factsheet at www.irishlife.ie.

ILIM will continue to monitor and review these assets and may change them over time.

IRISH LIFE MAPS RISK MANAGEMENT

Irish Life MAPS® Diversification

As the table above shows each of the Irish Life MAPS funds is diversified across a range of asset types - shares, bonds, property, cash and external managers / alternatives.

Within each of these different asset types, there is even further diversification. For example, within the share asset class there is an allocation to Global Shares, Low Volatility Shares and an Option Strategy, each of which generates a return in a different way. Global Shares aim to capture the movement in share markets across the developed and emerging markets. The Low Volatility strategy invests in shares with certain characteristics that aim to deliver a smoother journey, while the Option Strategy aims to generate a more stable return through the regular sale of put options which provides some downside protection if markets fall, and for which the funds get paid a fee. The extent and type of diversification that exists in each asset class is shown in more detail on pages 8-11.

This level of diversification aims to ensure that the performance of the funds is not dependent on any one asset type, sector, geographical region, investment manager or investment style. Removing this dependence aims to produce a smoother investment journey over the longer term.

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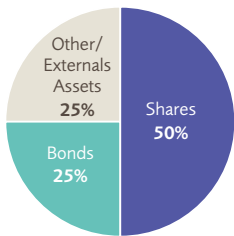
Regular Reviews

ILIM undertake a regular review of Irish Life MAPS, evaluating the current asset and manager allocations to ensure they continue to represent the best of ILIM thinking and capability with respect to achieving their long term risk and performance objectives. The process takes into account the short, medium and long term expected outlook for investment markets with a view to optimising the strategic fund mix. Typically in these reviews, ILIM are looking for opportunities to either enhance risk management and/or increase the expected fund returns. This process involves reviewing investment opportunities such as new managers, asset classes, strategies, geographies, developments in quantitative research and simulating how best to incorporate any prospective changes into the existing funds allowing for the complexity, time, cost and benefit of doing so.

Rebalancing

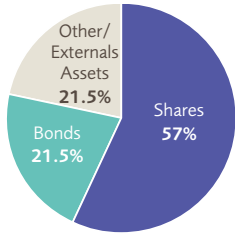
One of the most important risk management tools used by ILIM is quarterly rebalancing of each Irish Life MAPS fund. The example below shows why rebalancing is important and what could happen without it.

START YEAR 1



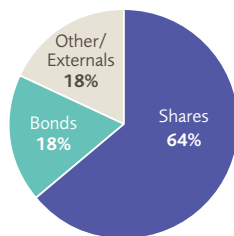
We start with this pie-chart, which shows a fund with 50% in shares, 25% in bonds and 25% in other assets/external managers.

START YEAR 2



If, over the course of a year, shares grew in value by 20%, while bonds and other assets/external managers both fell in value by 10%, then, **without rebalancing**, the second pie-chart shows the new split of the fund. Here 57% of the fund is now invested in shares.

START YEAR 3



If the same thing happened again, we would end up with nearly 2/3 of the fund invested in shares. This fund mix may no longer be suitable for someone who originally chose an allocation with 50% in shares, 25% in bonds and 25% in cash.

This change in asset split can be avoided by regularly rebalancing the fund to ensure that it stays in line with its intended split. ILIM rebalances each of the Multi Asset Portfolio Funds on a quarterly basis and this means that each fund will not drift over time. This means that you don't have to worry about a fund becoming a higher risk rating than the one originally invested in.

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Global Low Volatility Shares

STRATEGY

The strategy aims to deliver share market returns with lower risk:

- Focus is on minimising maximum losses
- Low Volatility Shares were extended to include Low Volatility Emerging Market Shares in quarter 1 2017.
- Stock selection is based on a range of low risk factors and defensive qualities.

HOW IT WORKS

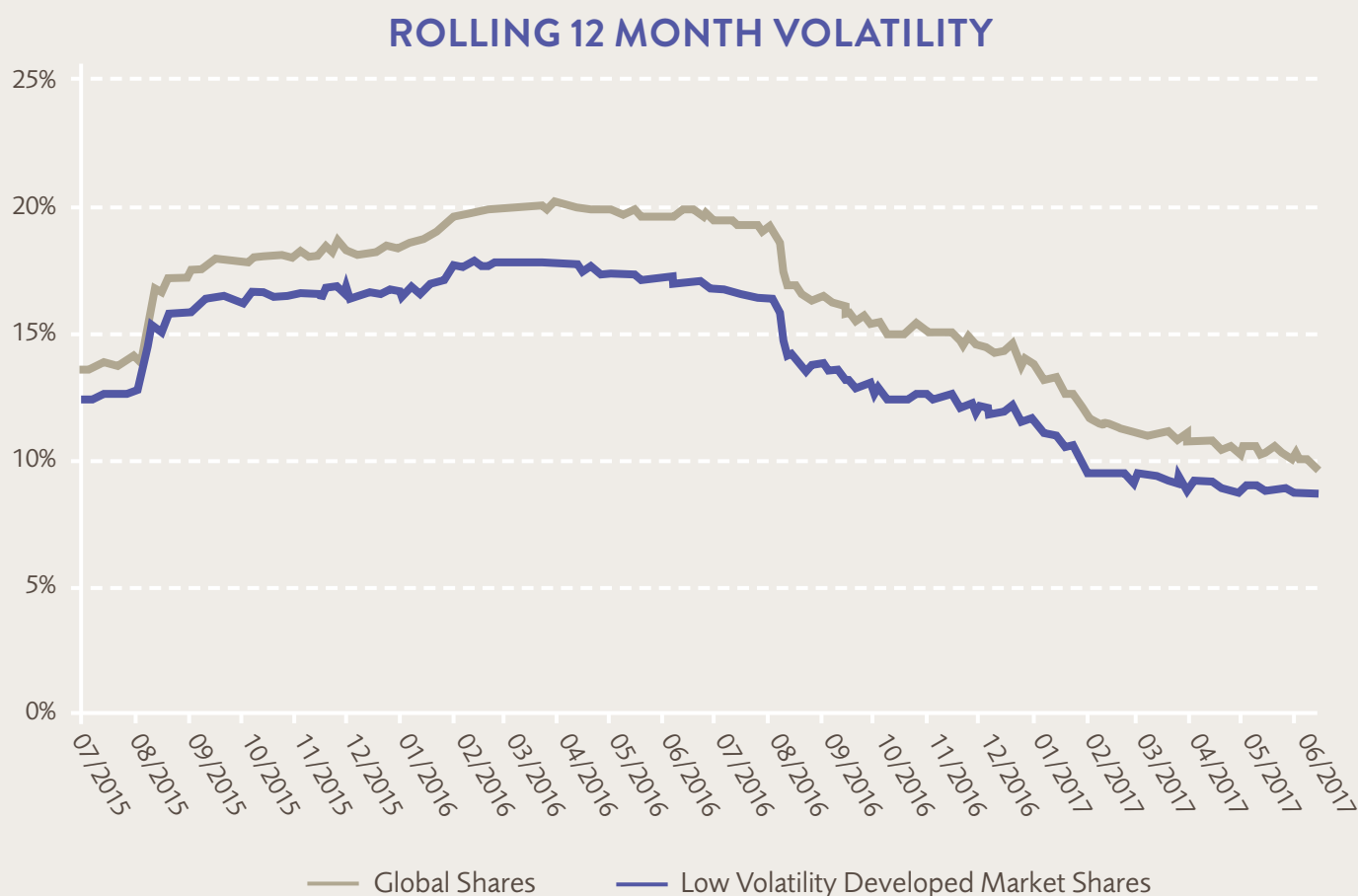
ILIM have identified key factors (valuation, risk, technical, quality and dividend) which when combined with defensive sector allocations minimise the total potential fall experienced by shares over time.

KEY BENEFITS

This strategy aims to deliver the following key benefits:

- Reduce the peak-to-trough losses in periods of market stress
- Manage volatility
- Maintain share market returns over the longer term.

The chart below illustrates the reduced annualised 12-month rolling volatility of the Low Volatility Developed Market Shares Strategy compared to the Global Shares portfolio.



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Dynamic Share to Cash Model



Each Irish Life MAPS fund uses the innovative Dynamic Share to Cash (DSC) model on the Global Shares portion of each MAP Fund. The DSC is a quantitative model that has been developed by ILIM and it uses a number of factors across three broad categories.

The DSC signal is at 1.26 at the end of June 2017, on a scale of +2 to -2. DSC is fully invested in shares above zero. Below zero DSC moves progressively from shares to cash and is fully in cash at -2.

The DSC aims to reduce the amount invested in shares and increase the amount in cash when it identifies greater potential for stock market falls.

The factors include:

FACTOR CATEGORY	MARKET MOMENTUM	VALUATIONS	GLOBAL MACROECONOMICS
OBJECTIVE	Take account of trends in shares	Take account of long-term valuation of shares	Take account of the influence of global economics on shares
INDIVIDUAL FACTORS	<ul style="list-style-type: none">• 12-month share market momentum• 200-day moving average	<ul style="list-style-type: none">• Long-term share values• Earnings quality• Earnings yield• Earnings Revisions	<ul style="list-style-type: none">• Real GDP growth rate• Bond yield curve slope• Energy price levels
QUARTER 2 2017 UPDATE	Decreased slightly over the quarter, as 12 month price momentum weakened.	Decreased over the quarter, coming from a reduction on earnings yields and some earning revisions.	Increased over the quarter, driven by a slight increase in GDP growth over the period.
QUARTER 2 2017 INDICATOR	+	+	+

Based on how these factors move over time, the DSC will decide how much of each Irish Life MAPS fund to invest in Global Shares and how much to invest in cash. ILIM will regularly monitor and review these factors.

Currency Hedging

ILIM manage the risk of exposure to foreign currencies in Irish Life MAPS by fully or partly hedging any exposure. This risk management process was further enhanced by the development of a fully systematic currency hedging process. This will operate on each of the Irish Life MAP funds.

STRATEGY

The strategy aims to reduce the risk of experiencing negative returns from foreign currency moves. This is achieved by hedging non-euro currency exposure when it is beneficial to do so.

HOW IT WORKS

ILIM use a systematic approach to identify key factors (valuations, market momentum etc) that when combined aim to indicate when it is beneficial to hedge foreign currency exposure.

KEY BENEFITS

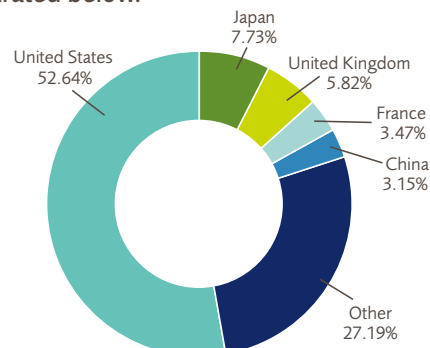
This strategy aims to reduce the volatility of the returns in shares, reduce the potential losses from negative moves in foreign currency and reduce peak-to-trough losses over time.

1 Shares

GLOBAL SHARES

- ILIM track the performance of a large global share index.
- There are nearly 2,500 individual company shares represented which operate in 11 different sectors.
- We use the DSC model (explained on page 7) on Global Shares.
- Global Shares includes about 10% in Emerging Market Shares.
- For the percentage of Global Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

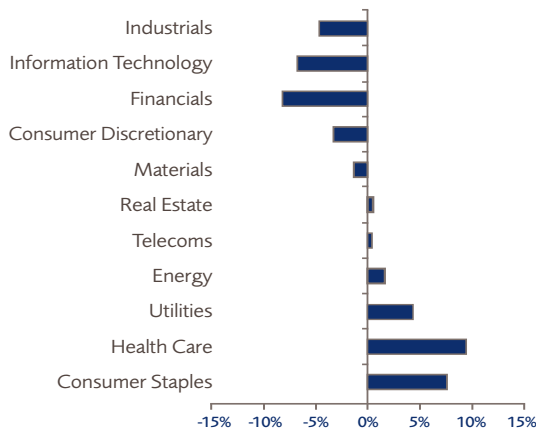
The geographic split of the index is illustrated below.



GLOBAL LOW VOLATILITY SHARES

- Using a detailed, quantitative strategy, ILIM choose shares from a broad global share index which not only have shown lower volatility in the past but which are also screened for other indicators such as value, for example.
- ILIM choose over 200 shares to make up their Low Volatility Shares fund.
- For more information on our Low Volatility Shares, see page 6. For the percentage of Low Volatility Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

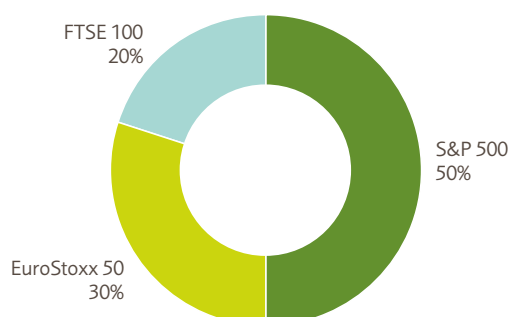
Low Volatility Shares weight compared to the Global Share index



OPTION STRATEGY

- The option strategy further diversifies the allocation to shares (in addition to DSC and Low Volatility Shares)
- The option strategy currently sells put options on a monthly basis which provides some downside protection if markets fall and for which the funds get paid a fee.

% split on the underlying indices on which the options are taken



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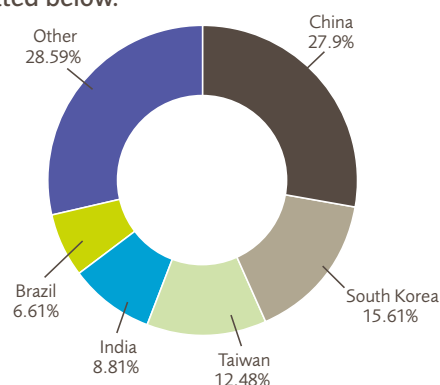
Warning: These funds may be affected by changes in currency exchange rates.

Shares continued

EMERGING MARKET SHARES

- ILIM track the performance of a broad Emerging Markets share index to provide exposure to Emerging Market Shares.
- Emerging Market Shares include over 800 individual companies which operate in 24 different markets.
- For the percentage of Emerging Market Shares in each Irish Life MAPS fund, see the latest factsheet on www.irishlife.ie.

The geographic split of the index is illustrated below.

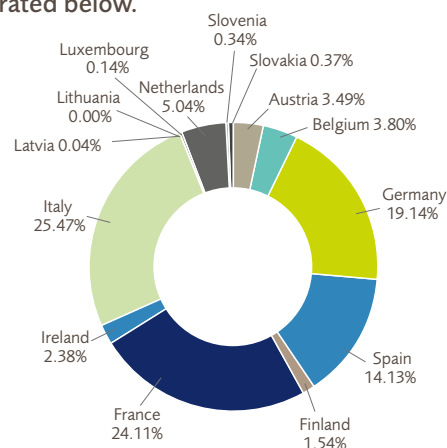


2 Bonds

GOVERNMENT BONDS

- ILIM currently track the performance of a recognised and leading government bond index to provide exposure to government bonds.
- Within the bond allocation, ILIM choose the proportion to invest in government bonds and have discretion in relation to the index which is tracked.

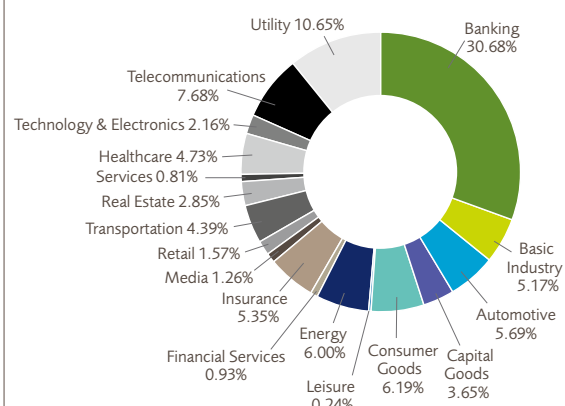
The geographic split of the index is illustrated below.



CORPORATE BONDS

- ILIM currently track the performance of a recognised and leading corporate bond index to provide exposure to corporate bonds.
- Within the bond allocation, ILIM choose the proportion to invest in corporate bonds and have discretion in relation to the index which is tracked.

The sector split of the index is illustrated below.



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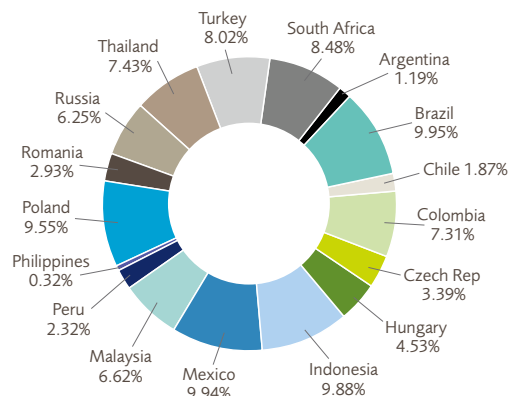
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Bond continued

EMERGING MARKET DEBT

- ILIM currently track the performance of a recognised and leading emerging market bond index to provide exposure to emerging market bonds.
- Within the bond allocation, ILIM choose the proportion to invest in emerging market bonds and have discretion in relation to the index which is tracked.

The geographic split of the index is illustrated below.



HIGH YIELD BONDS

- ILIM track the performance of a recognised and leading high yield bond index to provide exposure to global high yield bonds.
- The High Yield Bond allocation is currently sub-advised by an external manager.

The geographic split of the High Yield Bonds is illustrated below.



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ASSET CLASSES EXPLAINED CONTINUED...

3 External Managers/Alternatives

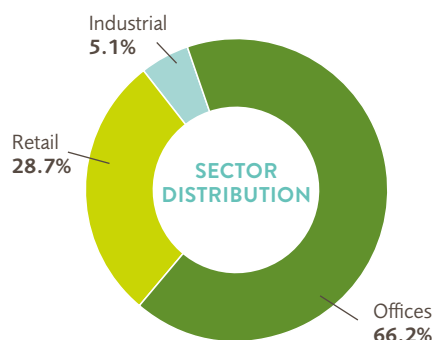
ILIM recognise the need to incorporate alternative strategies within the Irish Life MAPS funds and have an active pipeline of external managers they monitor on an on-going basis. There were no changes to the External Managers in quarter 2 2017. There is now access to nine leading global real and absolute return managers through each Irish Life MAPS fund's External Managers / Alternatives portion. The percentage allocated to External Managers / Alternatives varies for each Irish Life MAPS fund and the latest factsheet on www.irishlife.ie will show this percentage.

Within this percentage, the target split across the nine managers is shown as well as details of the managers themselves and the funds we invest in. ILIM actively look for managers that can bring diverse performance at the right price. They monitor this performance on an ongoing basis and may choose to change the allocation to external managers or the target allocation within the External Manager allocation. They may also choose to replace, add or remove External Managers as opportunities arise and market conditions change.

Manager	Assets Managed	Fund Name
GMO Source www.gmo.com	\$77 billion (31 March 2017)	GMO Real Return Fund
Putnam Source www.putnam.com	\$163 billion (30 June 2017)	Putnam Multi Asset Absolute Return Strategy (MAARS)
AQR Source www.aqr.com	\$187.6 billion (31 March 2017)	AQR Global Risk Parity
		AQR Style Premia
Blackrock Source www.blackrock.com	\$5.1 trillion (31 March 2017)	Blackrock FIGO Fund
PIMCO Source www.pimco.com	\$1.51 trillion (31 March 2017)	PIMCO Income Fund
JP Morgan Asset Management Source www.jpmorgan.com	€1.84 trillion (31 March 2017)	JP Morgan Systematic Alpha
Dunn Capital Management Source www.montlakeucits.com	\$3.2 billion (31 March 2017)	Montlake Dunn WMA
Morgan Stanley Investment Management Source www.morganstanley.com	\$2.2 trillion (31 March 2017)	MS Diversified Alpha Plus
MidOcean Source www.midocceanpartners.com	\$5.3 billion (31 March 2017)	DB Platinum MidOcean Fund

4 Property

Each Irish Life MAPS fund currently has an allocation to ILIM's Pension Exempt Property fund. Information on the property allocation at the end of June 2017 is shown below:



TOP FIVE HOLDINGS
PROPERTY
2 Grand Canal Square, Dublin
1 Georges Quay, Dublin
Stephen Court, St Stephens Green, Dublin
24-26 City Quay, Dublin
Offices City Gate, Mahon, Co Cork

TOTAL VALUE OF THESE PROPERTIES



The portfolio comprises of:

- 73 individual property assets
- Leased to over 300 tenants
- Broad mix of commercial property - with exposure to offices, retail and industrial properties.

The information is correct as at 30 June 2017. For the percentage of property invested in each MAP Fund, please see the factsheet on www.irishlife.ie.

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ILIM'S CREDENTIALS

ILIM have designed the Irish Life MAPS funds. They have also developed and tested the DSC model and will expertly manage it over time.

ILIM currently manage over €66.9 billion of assets (as at 31/03/2017), including private investors and leading Irish and international companies. By investing in one of these funds through an Irish Life pension, savings or investment plan you will benefit from their experience and expertise.

ILIM are MULTI-AWARD WINNERS. They're recognised internationally for their expertise, innovation and track record:

- INVESTMENT MANAGER OF THE YEAR, three years running at the Irish Pension Awards 2013-2015. PASSIVE MANAGER OF THE YEAR at the Irish Pension Awards 2016.
- DOUBLE WINNER at European Pension Awards 2014 - BEST EQUITY and BEST PASSIVE MANAGER.
- Only European Investment Manager to win twice at those awards.
- BEST INVESTMENT FUND PROVIDER at Longboat Analytics Financial Services Awards 2017 and BEST INNOVATION IN FINANCIAL SERVICES AWARD at Longboat Analytics ('Moneymate') Financial Services Awards 2016.

IRISH LIFE MAPS®:

- > Choice through a range of funds
- > Generating smoother, long-term returns
- > Managing risk to stay on track
- > Delivering peace of mind
- > Available across our pension, investment and savings plans

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For more details please see www.irishlife.ie/investments or contact your financial broker or financial adviser.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.
Irish Life Assurance plc is regulated by the Central Bank of Ireland.